

Board of Regents  
Regional University System of Oklahoma  
Northeastern State University  
Oklahoma City, Oklahoma

This letter is intended to inform the Board of Regents of the Regional University System of Oklahoma about significant matters related to the conduct of the annual audit of Northeastern State University (the "University") so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities.

The following summarizes various matters which must be communicated to you under auditing standards generally accepted in the United States of America.

***Our Responsibility Under Generally Accepted Auditing Standards and OMB Circular A-133***

Our audit of the financial statements of the University for the year ended June 30, 2010 was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the University's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the University's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination of the University's compliance with those requirements.

### *Management Judgments and Accounting Estimates*

Accounting estimates are an integral part of the preparation of the financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. The Board of Regents may wish to monitor throughout the year the process used to compute and record the University's accounting estimates.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### *Management Representations*

Management is responsible for preparing and fairly presenting the financial statements and for establishing and maintaining effective internal control over financial reporting. Management has provided us with written representations which are available upon request.

### *Audit Adjustments*

There were several adjustments made to the original trial balance presented to us to begin our audit. However, these adjustments were prepared by management and presented to us during the engagement.

### *Uncorrected Misstatements*

There were no uncorrected misstatements.

### *Accounting Policies and Alternative Treatments*

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the University. The University's significant accounting policies are detailed in Note A of the June 30, 2010 financial statements. No significant new accounting policies were adopted during the year.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Other Information in Documents Containing Audited Financial Statements*

We are not aware of any other documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited financial statements of the University.

### *Disagreements with Management*

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### *Consultations with Other Accountants*

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### *Major Issues Discussed with Management Prior to Retention*

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

### *Difficulties Encountered in Performing the Audit*

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

*Closing*

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to Northeastern State University.

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This report is intended solely for the use of the Board of Regents of the Regional University System of Oklahoma and management of the University and is not intended to be and should not be used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 29, 2010